

2009 Montana Partnership Information and Composite Tax Return

Attach a copy of federal Form 1065 and Schedule(s) K-1

For calendar year 2009 or tax year beginning (MM-DD) ____ - ____ - **09** and ending (MM-DD-YY) ____ - ____ - ____

Name Red Crown Royalties, LLC			FEIN: <u>XX-XXXXXXX</u>
Mailing Address PO Box 888			If new address, check here. <input type="checkbox"/>
Federal Business Code: <u>211110</u>			
City Littleton	State CO	Zip + 4 80160	Date Registered in Montana: <u>01/01/2004</u>
<input checked="" type="checkbox"/> I do not need the Montana Partnership Information Return and Instructions sent to me next year. <input type="checkbox"/> I am requesting a refund with this tax return.			

- | | |
|---|---|
| <input type="checkbox"/> Check if this is an initial return | <input type="checkbox"/> Check if this is an amended return |
| <input type="checkbox"/> Check if this is a final return | If you check the box above, check below all the reasons for amending your return: |
| Reason for final return: | <input type="checkbox"/> a. Federal Revenue Agent Report (a complete copy of this report is required) |
| <input type="checkbox"/> a. Withdrawn | <input type="checkbox"/> b. Apportionment factor changes (attach a statement explaining adjustments) |
| <input type="checkbox"/> b. Dissolved | <input type="checkbox"/> c. Amended federal return |
| <input type="checkbox"/> c. Merged | <input type="checkbox"/> d. Amended composite return |
| <input type="checkbox"/> d. Reorganized | <input type="checkbox"/> e. Other (attach a statement explaining all adjustments in detail) |

Partners' Distributive Share Items (Form 1065, Schedule K)

1. Ordinary business income (loss)	1.	
2. Net rental real estate income (loss) (attach federal Form 8825)	2.	
3. a. Other gross rental income (loss).....	3a.	
b. Expenses from other rental activities (attach schedule)	3b.	
c. Subtract line 3b from line 3a. This is your other net rental income or loss.	3c.	
4. Guaranteed payments.....	4.	
5. Interest income	5.	12,933
6. Ordinary dividends.....	6.	
7. Royalties.....	7.	5,959,030
8. Net short-term capital gain (loss) (attach federal Schedule D, Form 1065)	8.	
9. Net long-term capital gain (loss) (attach federal Schedule D, Form 1065).....	9.	
10. Net section 1231 gain (loss) (attach federal Form 4797)	10.	
11. Other income (loss) (attach detailed schedule).....	11.	7,156,628
12. Add lines 1 through 11 and enter result. This is your total share of income or loss.	12.	13,128,591

Partners' Shares of Deduction (Form 1065, Schedule K)

13. Section 179 deduction (attach federal Form 4562)	13.	
14. a. Contributions.....	14a.	
b. Investment interest expense.....	14b.	
c. Section 59(e)(2) expenditures. (attach detailed schedule)	14c.	
d. Other deductions (attach detailed schedule)	14d.	475,223
15. Add lines 13 through 14d and enter result. This is your total share of deductions.	15.	475,223

Partners' Distributive Shares of Montana Additions and Deductions to Income

16. a. Interest and dividends not taxable under the Internal Revenue Code (see instructions)	16a.	
b. Taxes based on income or profits.....	16b.	
c. Other additions (attach detailed breakdown).....	16c.	
Add lines 16a, 16b, and 16c; enter result. This is your total Montana additions to income.	16.	
17. a. Interest on U.S. government obligations (attach schedule).....	17a.	
b. Deduction for purchasing recycled material (attach Form RCYL)	17b.	
c. Other deductions (attach detailed breakdown).....	17c.	
Add lines 17a, 17b, and 17c; enter result. This is your total Montana deductions to income.	17.	
18. Subtract line 15 from line 12. Add the result to line 16, then subtract line 17 from that result. This is your net taxable income (loss).	18.	12,653,368

Partners' Distributive Shares of Multistate Apportionment and Allocation

19. Income apportioned to Montana. Multiply line 18 X <u>15.004900%</u> from Schedule I, line 5; enter the result	19.	1,898,625
20. Income allocated to Montana. Enter the income or loss allocated directly to Montana (see instructions)	20.	
21. Add lines 19 and 20; enter result. This is the total Montana source income for multistate taxpayers.	21.	1,898,625

Entity name Red Crown Royalties, LLCTax period ending 12-31-2009

FEIN _____

Calculation of Amount Owed or Refund**Partnership Composite Return Tax**22. Enter your Montana total composite tax from Schedule III, column F 22. **Partner Backup Withholding**23. Enter the amount of total partner withholding from Schedule III, column G 23. **Partnership Montana Mineral Royalty Tax Withheld**

24. a. Total Montana mineral royalty tax withheld as reported on federal Form(s) 1099... 24a.

b. Mineral royalty tax withheld attributable to Montana residents 24b.

c. Mineral royalty tax withheld attributable to nonresidents not reporting on Schedule IV 24c.

d. Add lines 24b and 24c. This is the total mineral royalty tax withheld reported by partners on their income tax returns 24d.

e. Subtract line 24d from 24a. This is the mineral royalty tax withheld attributable to nonresidents reporting on Schedule IV 24e.

Return Payments

25. a. 2008 overpayment applied to 2009 25a.

b. 2009 estimated payments 25b.

c. 2009 extension payment 25c.

d. Montana income tax withheld. Attach Form PT-WH 25d.

e. For amended returns only—payments made with original return (see instructions) 25e.

f. For amended returns only—previously issued refunds (see instructions) 25f.

g. Add lines 25a through 25e; then subtract line 25f and enter the result here. **This is your total return payments.** 25g.

26. Add lines 22 and 23, then subtract lines 24e and 25g. **This is your amount due or (overpaid).** 26.

Penalties and Interest (see instructions)

27. a. Partnership information return late filing penalty 27a.

b. Interest on underpayment of estimated composite tax 27b.

c. Composite income tax return late filing penalty 27c.

d. Late payment penalty 27d.

e. Interest 27e.

f. Add lines 27a through 27e. **This is your total penalties and interest.** 27f.

Amount Owed or Refund

28. Add lines 26 and 27f; enter the result here 28.


29. If line 28 results in an amount due, enter it here. **This is the amount you owe.** 29.

30. If line 28 results in an overpayment, enter it here. **This is your overpayment.** 30.

31. Enter the amount from line 30 you want applied to your 2010 composite estimated tax .. 31.

32. Subtract line 31 from line 30 and enter the amount here. **This is your refund.** 32.

For Direct Deposit of your refund, complete 1, 2, 3, and 4. Please see instructions on page 8.	1. RTN# <input type="text"/>	2. ACCT# <input type="text"/>
	3. If using direct deposit, you are required to mark one box. <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	4. Is this refund going to an account that is located outside of the United States or its territories? <input type="checkbox"/> Yes <input type="checkbox"/> No	

	Name, address and telephone number of paid preparer	<input type="checkbox"/> Check this box and attach a copy of your federal Form 7004 to receive your Montana extension.
	SSN, FEIN or PTIN:	

May the DOR discuss this tax return with your tax preparer? ☐ Yes ☐ No

This tax return has to be signed by a general partner or limited liability company member.

Declaration

I, the undersigned general partner or limited liability company member of the partnership for which this tax return is made, hereby declare that this tax return, including all accompanying schedules and statements, is to the best of my knowledge and belief a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana statutes and regulations.

Signature of general partner or LLC member manager X	Date	Printed name and title	Telephone number
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Entity name Red Crown Royalties, LLC

FEIN XX-XXXXXXX

Apportionment Factors for Multistate Partnerships

Enter amounts in columns A and B. Enter percentages in column C.

A. Everywhere	B. Montana	C. Factor
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- 1. Property Factor:** Use average value for real and tangible personal property

1a. Land	1a.		
1b. Buildings	1b.		
1c. Machinery	1c.		
1d. Equipment	1d.		
1e. Furniture and fixtures	1e.		
1f. Leases and leased property	1f.	1,000,000	150,049
1g. Inventories	1g.		
1h. Depletable assets	1h.		
1i. Supplies and other	1i.		
1j. Property of foreign subsidiaries included in combined unitary group ..	1j.		
1k. Property of unconsolidated subsidiaries included in combined unitary group	1k.		
1l. Property of pass-through entities included in combined unitary group ..	1l.		
1m. Multiply amount of rents by 8 and enter result	1m.		
Total Property Value add lines 1a through 1m		1,000,000	150,049

Total Property Value add lines 1a through 1m

Take the total in column B and divide it by the total in column A. Multiply the result by 100. **This is your**

property factor. 1. 15.004900 %

- 2. Payroll Factor:**

2a. Compensation of officers.....	2a.	1,000,000	150,049
2b. Salaries and wages.....	2b.		
Payroll included in:			
2c. Costs of goods sold.....	2c.		
2d. Other expenses and deductions.....	2d.		
2e. Payroll of foreign subsidiaries included in combined unitary group....	2e.		
2f. Payroll of unconsolidated subsidiaries included in combined unitary group	2f.		
2g. Payroll of pass-through entities included in combined unitary group	2g.		
Total Payroll Value add lines 2a through 2g		1,000,000	150,049

Total Payroll Value add lines 2a through 2g.....

Take the total in column B and divide it by the total in column A. Multiply the result by 100. **This is your**

payroll factor.2. 15.004900%

- ### 3. Sales (Gross Receipts) Factor:

3a. Gross sales, less returns and allowances	3a.		
3b. Sales delivered or shipped to Montana purchasers:			
(1) Shipped from outside Montana	3b.(1)		
(2) Shipped from within Montana	3b.(2)		
3c. Sales shipped from Montana to:			
(1) United States government	3c.(1)		
(2) Purchasers in a state where the taxpayer is not taxable	3c.(2)		
3d. Sales other than sales of tangible personal property (i.e. service income)	3d.		
3e. Net gains reported on federal Schedule D and federal Form 4797	3e.		
3f. Other gross receipts (rents, royalties, interest, etc)	3f.	1,000,000	150,049
3g. Sales (receipts) of foreign subsidiaries included in combined unitary group	3g.		
3h. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group	3h.		
3i. Sales (receipts) of pass-through entities included in combined unitary group	3i.		
3j. Less: All intercompany transactions	3j.		
Total Sales Value add lines 3a through 3j		1,000,000	150,049

Total Sales Value add lines 3a through 3j.....

Take the total in column B and divide it by the total in column A. Multiply the result by 100. **This is your sales factor.**

factor. 3. 15.004900 %

4. Add the percentages on lines 1, 2, and 3 in column C. **This is the sum of your factors.**

Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales) you should include this factor as part of the calculation (see instructions). Enter the results here and also insert in line 19, page 1 of Form PR-1. **This is your apportionment factor.**

page 1 of Form PR-1. This is your apportionment factor. 5. 15.004900%

Schedule III - Form PR-1, page 5

Entity name Red Crown Royalties, LLC Tax period ending 12-31-2009 FEIN

Montana Partnership Information

Summary Schedule of Income and Supplemental Information

Section A: Resident Partners

A		B		C	D
Street Address or P O Box City State Zip Code	Name	Identification Number SSN/FEIN	Ownership %	Montana Source Income (see instructions)	
1.		SSN			
		FEIN			
2.		SSN			
		FEIN			
3.		SSN			
		FEIN			
4.		SSN			
		FEIN			
Section A Totals					

Partner Withholding: ☐ yes ☒ no

Composite Income Tax: ☐ yes ☒ no

Number of Resident Partners

Number of Nonresident Partners

Total Number of Partners

	2
	2
	2

Section B: Nonresident Individual Partners or Second Tier Pass-Through Entity Partners

A		B	C	D	E	F	G	H
Street Address or P O Box City State Zip Code	Name	Identification Number SSN/FEIN	Ownership %	Montana Source Income (see instructions)	Federal Income from Entity (from federal Schedule K-1)	Composite Income Tax (from Schedule IV, column J)	Partner Withholding (see instructions)	Consent Agreement (year)
1. KAB Minerals L.L.P.		SSN	50%	949,313	6,326,684			2004
410 17th Street, Suite 1151 Denver, CO 80202		FEIN						
2. Thomas S Grove		SSN	50%	949,312	6,326,684			2004
7053 S Oneida Circle Centennial, CO 80212		FEIN						
3.		SSN						
		FEIN						
Section B Totals			100%					
Total of Sections A and B, column C only			100%					

For each nonresident partner, complete ONLY one of these three columns: F, G or H. Please refer to the instructions for Schedule III

Transfer the total from Column F to Form PR-1, page 2, line 22.

Transfer the total from Column G to Form PR-1, page 2, line 23.

Use additional sheets if necessary or you may use a document formatted similarly to Schedule III as a substitute.

Montana Schedule K-1

(CLT-4S and PR-1)

Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc.

For the year January 1 - December 31, 2009, or tax year beginning _____ and ending _____.

Part 1 - Pass-Through Entity Information

A Entity's federal employer identification number (FEIN) _____	Check applicable boxes: <input type="checkbox"/> Form CLT-4S <input type="checkbox"/> Amended K-1 <input checked="" type="checkbox"/> Form PR-1 <input type="checkbox"/> Final K-1
B Entity's name and mailing address Red Crown Royalties, LLC P.O. Box 888 Littleton, CO 80160	
C <input type="checkbox"/> Check this box if this is a publicly traded partnership.	

Part 2 - Partner/Shareholder Information

A Partner's/shareholder's identifying number (SSN/FEIN) _____	D Check this box if partner/shareholder is a nonresident: <input type="checkbox"/> If a nonresident, please check this box if a Montana Form PT-AGR, nonresident agreement has been filed for partner/shareholder <input type="checkbox"/>	
B Partner's/shareholder's name and mailing address KAB Minerals L.L.L.P. 410 17th Street, Suite 1151 Denver, CO 80202	E Shareholder's percentage of stock ownership _____ %	
	F Partner's:	Beginning Ending
	Profit	50.0000000 % 50.0000000 %
C What type of entity is this partner/shareholder? <u>Partnership</u>	Loss	50.0000000 % 50.0000000 %
	Capital	50.0000000 % 50.0000000 %

Part 3 - All Partners/Shareholders—Montana Adjustments

A Federal Schedule K-1 income (loss) minus deductions	A.	6,326,684	Information only; see instructions.
B Montana additions to income			
1. Federally tax-exempt interest	B1.		
2. Taxes based on income or profits	B2.		
3. Other additions. List type _____ and amount	B3.		
C Montana subtractions from income			
1. Interest from U.S. Treasury obligations	C1.		
2. Deduction for purchasing recycled material	C2.		
3. Other subtractions. List type _____ and amount	C3.		
D Multistate pass-through entities			
1. Apportioned income. Income apportioned to Montana	D1.	949,313	Information only; see instructions
2. Allocable income. Income allocated to Montana. List type _____ and amount	D2.		Information only; see instructions
E Total income taxable to partner/shareholder	E.	949,313	Information only; see instructions

Part 4 - Nonresident Individual, Estate or Trust Beneficiary Only—Montana Source Income (Loss)

1. Montana apportionment percentage	1.	0.150049 %	Information only; see instructions
2. Ordinary business income (loss)	2.		
3. Net rental real estate income (loss)	3.		
4. Other net rental income (loss)	4.		
5. Guaranteed payments	5.		
6. Interest income	6.	970	
7. Ordinary dividends	7.		
8. Royalties	8.	447,074	
9. Net short-term capital gain (loss)	9.		
10. Net long-term capital gain (loss)	10.		
11. Net section 1231 gain (loss)	11.		
12. Other income (loss). List type <u>Lease Bonuses</u> and amount	12.	536,922	
13. Montana composite income tax paid on behalf of partner/shareholder	13.		
14. Montana income tax withheld on behalf of partner/shareholder	14.		

Part 5 - Supplemental Information

1. Premiums for Insure Montana Small Business Health Insurance credit expenses	1.	
2. Film Production Credit expenses	2.	
3. Mineral royalties tax withholding	3.	65,272
4. Other information. List type <u>Montana Depletion</u> and amount	4.	35,653

Part 6 - Montana Tax Credits and Recapture (If Applicable)

1. Insure Montana Small Business Health Insurance credit. Business FEIN	1.	
2. Health insurance for uninsured Montanans credit (Form HI)	2.	
3. Contractor's gross receipts tax credit	3.	
4. Other credit/recapture information. List type _____ and amount	4.	

Montana Schedule K-1

(CLT-4S and PR-1)

Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc.

For the year January 1 - December 31, 2009, or tax year beginning _____ and ending _____.

Part 1 - Pass-Through Entity Information

A Entity's federal employer identification number (FEIN) _____	Check applicable boxes: <input type="checkbox"/> Form CLT-4S <input type="checkbox"/> Amended K-1 <input checked="" type="checkbox"/> Form PR-1 <input type="checkbox"/> Final K-1
B Entity's name and mailing address Red Crown Royalties, LLC P.O. Box 888 Littleton, CO 80160	
C <input type="checkbox"/> Check this box if this is a publicly traded partnership.	

Part 2 - Partner/Shareholder Information

A Partner's/shareholder's identifying number (SSN/FEIN) _____	D Check this box if partner/shareholder is a nonresident: <input type="checkbox"/> If a nonresident, please check this box if a Montana Form PT-AGR, nonresident agreement has been filed for partner/shareholder <input type="checkbox"/>		
B Partner's/shareholder's name and mailing address Thomas S Grove 7053 S Oneida Circle Centennial, CO 80112	E Shareholder's percentage of stock ownership _____ %		
C What type of entity is this partner/shareholder? <u>Individual</u>	F Partner's:	Beginning	Ending
	Profit	50.0000000 %	50.0000000 %
	Loss	50.0000000 %	50.0000000 %
	Capital	50.0000000 %	50.0000000 %

Part 3 - All Partners/Shareholders-Montana Adjustments

A Federal Schedule K-1 income (loss) minus deductions	A.	6,326,684	Information only; see instructions.
B Montana additions to income			
1. Federally tax-exempt interest	B1.		
2. Taxes based on income or profits	B2.		
3. Other additions. List type _____ and amount	B3.		
C Montana subtractions from income			
1. Interest from U.S. Treasury obligations	C1.		
2. Deduction for purchasing recycled material	C2.		
3. Other subtractions. List type _____ and amount	C3.		
D Multistate pass-through entities			
1. Apportioned income. Income apportioned to Montana	D1.	949,312	Information only; see instructions
2. Allocable income. Income allocated to Montana. List type _____ and amount	D2.		Information only; see instructions
E Total income taxable to partner/shareholder	E.	949,312	Information only; see instructions

Part 4 - Nonresident Individual, Estate or Trust Beneficiary Only-Montana Source Income (Loss)

1. Montana apportionment percentage	1.	0.150049 %	Information only; see instructions
2. Ordinary business income (loss)	2.		
3. Net rental real estate income (loss)	3.		
4. Other net rental income (loss)	4.		
5. Guaranteed payments	5.		
6. Interest income	6.	970	
7. Ordinary dividends	7.		
8. Royalties	8.	447,073	
9. Net short-term capital gain (loss)	9.		
10. Net long-term capital gain (loss)	10.		
11. Net section 1231 gain (loss)	11.		
12. Other income (loss). List type <u>Lease Bonuses</u> and amount	12.	536,922	
13. Montana composite income tax paid on behalf of partner/shareholder	13.		
14. Montana income tax withheld on behalf of partner/shareholder	14.		

Part 5 - Supplemental Information

1. Premiums for Insure Montana Small Business Health Insurance credit expenses	1.	
2. Film Production Credit expenses	2.	
3. Mineral royalties tax withholding	3.	65,272
4. Other information. List type <u>Montana Depletion</u> and amount	4.	35,653

Part 6 - Montana Tax Credits and Recapture (If Applicable)

1. Insure Montana Small Business Health Insurance credit. Business FEIN	1.	
2. Health insurance for uninsured Montanans credit (Form HI)	2.	
3. Contractor's gross receipts tax credit	3.	
4. Other credit/recapture information. List type _____ and amount	4.	

U.S. Return of Partnership Income

For calendar year 2009, or tax year beginning _____, 2009, ending _____, 20____
▶ See separate instructions.

OMB No. 1545-0099

2009

A Principal business activity Mineral & Royalties	Use the IRS label. Otherwise, print or type.	Name of partnership Red Crown Royalties, LLC	D Employer identification number
B Principal product or service Mineral & Royalties		Number, street, and room or suite no. If a P.O. box, see the instructions. P.O. Box 888	E Date business started 05/27/1997
C Business code number 211110		City or town, state, and ZIP code Littleton, Colorado 80160	F Total assets (see the instructions) \$ 2,973,453

- G** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
(6) ☐ Technical termination - also check (1) or (2)
- H** Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ **16**
- J** Check if Schedules C and M-3 are attached ☒

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1a Gross receipts or sales	1a		1c	
	b Less returns and allowances	1b			
	2 Cost of goods sold (Schedule A, line 8)			2	
	3 Gross profit. Subtract line 2 from line 1c			3	
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))			5	
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6	
	7 Other income (loss) (attach statement)			7	
8 Total income (loss). Combine lines 3 through 7			8		
Deductions (see the instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)			9	
	10 Guaranteed payments to partners			10	
	11 Repairs and maintenance			11	
	12 Bad debts			12	
	13 Rent			13	
	14 Taxes and licenses			14	
	15 Interest			15	
	16a Depreciation (if required, attach Form 4562)	16a			
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c	
	17 Depletion (Do not deduct oil and gas depletion.)			17	
	18 Retirement plans, etc.			18	
	19 Employee benefit programs			19	
	20 Other deductions (attach statement)			20	
	21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20.			21	
22 Ordinary business income (loss). Subtract line 21 from line 8			22	0.	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ Signature of general partner or limited liability company member manager ▶ Date

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ **Yes** ☐ **No**

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code	EIN ▶		Phone no.

Schedule A Cost of Goods Sold (see the instructions)

1	Inventory at beginning of year	1		
2	Purchases less cost of items withdrawn for personal use	2		
3	Cost of labor	3		
4	Additional section 263A costs (attach statement)	4		
5	Other costs (attach statement)	5		
6	Total. Add lines 1 through 5	6		
7	Inventory at end of year	7		
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8		

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (specify method used and attach explanation) ▶

b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶ ☐

c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . . ▶ ☐

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? . . . ☐ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . ☐ Yes ☐ No

If "Yes," attach explanation.

Schedule B Other Information

1	What type of entity is filing this return? Check the applicable box:	Yes	No
a	<input type="checkbox"/> Domestic general partnership		
b	<input type="checkbox"/> Domestic limited partnership		
c	<input checked="" type="checkbox"/> Domestic limited liability company		
d	<input type="checkbox"/> Domestic limited liability partnership		
e	<input type="checkbox"/> Foreign partnership		
f	<input type="checkbox"/> Other ▶		
2	At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person?	✓	
3	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		✓
b	Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		✓
4	At the end of the tax year, did the partnership:		
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below		✓

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below . . . ☐ Yes ☒ No

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital

	Yes	No
5 Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details		✓
6 Does the partnership satisfy all four of the following conditions? a The partnership's total receipts for the tax year were less than \$250,000. b The partnership's total assets at the end of the tax year were less than \$1 million. c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. d The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1.		✓
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		✓
8 During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?		✓
9 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		✓
10 At any time during calendar year 2009, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ►		✓
11 At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions		✓
12a Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election.		✓
b Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions		✓
c Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions.		✓
13 Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) ► <input type="checkbox"/>		
14 At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		✓
15 If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ►		
16 Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ►		✓
17 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ►		

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ►	Identifying number of TMP ►
If the TMP is an entity, name of TMP representative ►	Phone number of TMP ►
Address of designated TMP ►	

Schedule K		Partners' Distributive Share Items	Total amount		
Income (Loss)	1	Ordinary business income (loss) (page 1, line 22)	1	0.	
	2	Net rental real estate income (loss) (attach Form 8825)	2		
	3a	Other gross rental income (loss)	3a		
	b	Expenses from other rental activities (attach statement)	3b		
	c	Other net rental income (loss). Subtract line 3b from line 3a	3c		
	4	Guaranteed payments	4		
	5	Interest income	5	12,933	
	6	Dividends: a Ordinary dividends	6a		
	b	Qualified dividends	6b		
	7	Royalties	7	5,959,030	
	8	Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8		
Deductions	9a	Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a		
	b	Collectibles (28%) gain (loss)	9b		
	c	Unrecaptured section 1250 gain (attach statement)	9c		
	10	Net section 1231 gain (loss) (attach Form 4797)	10		
	11	Other income (loss) (see instructions) Type ▶	11	7,156,628	
	12	Section 179 deduction (attach Form 4562)	12		
	13a	Contributions	13a		
	b	Investment interest expense	13b		
	c	Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶	13c(2)		
	d	Other deductions (see instructions) Type ▶	13d	475,223	
	Self-Employment	14a	Net earnings (loss) from self-employment	14a	0.
b		Gross farming or fishing income	14b		
c		Gross nonfarm income	14c		
Credits	15a	Low-income housing credit (section 42(j)(5))	15a		
	b	Low-income housing credit (other)	15b		
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	15c		
	d	Other rental real estate credits (see instructions) Type ▶	15d		
	e	Other rental credits (see instructions) Type ▶	15e		
	f	Other credits (see instructions) Type ▶	15f		
Foreign Transactions	16a	Name of country or U.S. possession ▶			
	b	Gross income from all sources	16b		
	c	Gross income sourced at partner level	16c		
	d	Passive category ▶ e General category ▶ f Other ▶	16f		
	g	Interest expense ▶ h Other ▶	16h		
	i	Passive category ▶ j General category ▶ k Other ▶	16k		
	l	Total foreign taxes (check one): Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l		
	m	Reduction in taxes available for credit (attach statement)	16m		
	n	Other foreign tax information (attach statement)			
	Alternative Minimum Tax (AMT) Items	17a	Post-1986 depreciation adjustment	17a	
		b	Adjusted gain or loss	17b	
c		Depletion (other than oil and gas)	17c		
d		Oil, gas, and geothermal properties—gross income	17d		
e		Oil, gas, and geothermal properties—deductions	17e		
f		Other AMT items (attach statement)	17f		
Other Information	18a	Tax-exempt interest income	18a		
	b	Other tax-exempt income	18b		
	c	Nondeductible expenses	18c		
	19a	Distributions of cash and marketable securities	19a	13,247,398	
	b	Distributions of other property	19b		
	20a	Investment income	20a	13,128,591	
b	Investment expenses	20b			
c	Other items and amounts (attach statement)				

Analysis of Net Income (Loss)

1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l					1	
2	Analysis by partner type:						
	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a	General partners						
b	Limited partners	2,789,792	635,485	9,228,091			

Schedule L Balance Sheets per Books

		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		313,536		64,186
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets	4,569		4,569	
b	Less accumulated depreciation	4,569		4,569	
10a	Depletable assets	8,460,376		8,460,376	
b	Less accumulated depletion	5,190,584	3,269,792	5,628,794	2,831,582
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)	19,039		19,039	
b	Less accumulated amortization	19,039		19,039	
13	Other assets (attach statement)		77,685		77,685
14	Total assets		3,661,013		2,973,453
Liabilities and Capital					
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach statement)				
21	Partners' capital accounts		3,661,013		2,973,453
22	Total liabilities and capital		3,661,013		2,973,453

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

1	Net income (loss) per books		6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Guaranteed payments (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a	Depreciation \$	
a	Depreciation \$				
b	Travel and entertainment \$		8	Add lines 6 and 7	
5	Add lines 1 through 4		9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year	3,661,013	6	Distributions: a Cash	13,247,398
2	Capital contributed: a Cash		b Property		
	b Property		7	Other decreases (itemize):	
3	Net income (loss) per books	12,559,838			
4	Other increases (itemize):		8	Add lines 6 and 7	13,247,398
5	Add lines 1 through 4	16,220,851	9	Balance at end of year. Subtract line 8 from line 5	2,973,453

SCHEDULE M-3
(Form 1065)

Department of the Treasury
Internal Revenue Service

Name of partnership

**Net Income (Loss) Reconciliation
for Certain Partnerships**

▶ Attach to Form 1065 or Form 1065-B.
▶ See separate instructions.

OMB No. 1545-0099

2009

Red Crown Royalties, LLC

Employer identification number

This Schedule M-3 is being filed because (check all that apply):

- A** ☐ The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** ☒ The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 16,226,851.
- C** ☐ The amount of total receipts for the taxable year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year _____.
- D** ☐ An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

Name of Reportable Entity Partner	Identifying Number	Maximum Percentage Owned or Deemed Owned

E ☐ Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
☐ **Yes.** Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
☒ **No.** Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
☐ **Yes.** Skip line 1c and complete lines 2 through 11 with respect to that income statement.
☒ **No.** Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
☐ **Yes.** Complete lines 2 through 11 with respect to that income statement.
☒ **No.** Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning ____/____/____ Ending ____/____/____
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
☐ **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
☐ **No.**
- b** Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
☐ **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
☐ **No.**

4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	4a <u>12,559,838</u>
b Indicate accounting standard used for line 4a (see instructions): 1 <input type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____	
5a Net income from nonincludible foreign entities (attach schedule)	5a ()
b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount)	5b _____
6a Net income from nonincludible U.S. entities (attach schedule)	6a ()
b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount)	6b _____
7a Net income (loss) of other foreign disregarded entities (attach schedule)	7a _____
b Net income (loss) of other U.S. disregarded entities (attach schedule)	7b _____
8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule)	8 _____
9 Adjustment to reconcile income statement period to tax year (attach schedule)	9 _____
10 Other adjustments to reconcile to amount on line 11 (attach schedule)	10 _____
11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10	11 <u>12,559,838</u>

Note. Part I, line 11, must equal the amount on Part II, line 26, column (a).

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

	Total Assets	Total Liabilities
a Included on Part I, line 4		
b Removed on Part I, line 5		
c Removed on Part I, line 6		
d Included on Part I, line 7		

Name of partnership

Employer identification number

Red Crown Royalties, LLC

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
(Attach schedules for lines 1 through 9)				
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Gross foreign distributions previously taxed				
5 Income (loss) from equity method U.S. corporations				
6 U.S. dividends				
7 Income (loss) from U.S. partnerships				
8 Income (loss) from foreign partnerships				
9 Income (loss) from other pass-through entities				
10 Items relating to reportable transactions (attach details)				
11 Interest income (attach Form 8916-A)	12,933			12,933
12 Total accrual to cash adjustment				
13 Hedging transactions				
14 Mark-to-market income (loss)				
15 Cost of goods sold (attach Form 8916-A)	()			()
16 Sale versus lease (for sellers and/or lessors)				
17 Section 481(a) adjustments				
18 Unearned/deferred revenue				
19 Income recognition from long-term contracts				
20 Original issue discount and other imputed interest				
21a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
22 Other income (loss) items with differences (attach schedule)				
23 Total income (loss) items. Combine lines 1 through 22	12,933			12,933
24 Total expense/deduction items. (from Part III, line 30) (see instructions)	-438,210	93,530		-344,680
25 Other items with no differences	12,985,115			12,985,115
26 Reconciliation totals. Combine lines 23 through 25	12,559,838	93,530		12,653,368

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

Name of partnership

Employer identification number

Red Crown Royalties, LLC

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 State and local current income tax expense				
2 State and local deferred income tax expense				
3 Foreign current income tax expense (other than foreign withholding taxes)				
4 Foreign deferred income tax expense				
5 Equity-based compensation				
6 Meals and entertainment				
7 Fines and penalties				
8 Judgments, damages, awards, and similar costs				
9 Guaranteed payments				
10 Pension and profit-sharing				
11 Other post-retirement benefits				
12 Deferred compensation				
13 Charitable contribution of cash and tangible property				
14 Charitable contribution of intangible property				
15 Organizational expenses as per Regulations section 1.709-2(a)				
16 Syndication expenses as per Regulations section 1.709-2(b)				
17 Current year acquisition/reorganization investment banking fees				
18 Current year acquisition/reorganization legal and accounting fees				
19 Amortization/impairment of goodwill				
20 Amortization of acquisition, reorganization, and start-up costs				
21 Other amortization or impairment write-offs				
22 Section 198 environmental remediation costs				
23a Depletion—Oil & Gas				
b Depletion—Other than Oil & Gas				
24 Intangible drilling & development costs				
25 Depreciation				
26 Bad debt expense				
27 Interest expense (attach Form 8916-A)				
28 Purchase versus lease (for purchasers and/or lessees)				
29 Other expense/deduction items with differences (attach schedule)	438,210	-93,530		344,680
30 Total expense/deduction items. Combine lines 1 through 29. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive	438,210	-93,530		344,680

Name: **RED CROWN ROYALTIES, LLC**

I.D. Number _____

Royalty Income (Loss)**1** Show the kind and location of each rental property.**A** **ROYALTY INCOME - OIL & GAS****B** _____**C** _____**D** _____**Royalty Income****Properties**

		A	B	C	D
2 Gross royalty income (loss)	2	7,573,962.			
Expenses					
3 Advertising	3				
4 Auto and travel	4				
5 Cleaning and maintenance	5				
6 Commissions	6				
7 Insurance	7				
8 Legal and other professional fees	8	13,945.			
9 Interest	9				
10 Repairs	10				
11 Taxes	11	886,847.			
12 Utilities	12				
13 Wages and salaries	13				
14 Depreciation	14				
15 Other (list) ► STATEMENT 8	15	714,140.			
16 Total expenses for each property. Add lines 3 through 15	16	1,614,932.			
17 Total gross royalties. Add gross royalties from line 2, columns A through D	17			7,573,962.	
18 Total expenses. Add total expenses from line 16, columns A through D	18			1,614,932.	
19 Net royalty income (loss)	19			5,959,030.	

Supplemental Attachment to Schedule M-3

► Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

OMB No. 1545-2061

2009

Name of common parent

Red Crown Royalties, LLC

Employer identification number

Name of subsidiary

Employer identification number

Part I Cost of Goods Sold

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 Total cost of goods sold. Add lines 1 through 7, in columns a, b, c, and d.				

Part II Interest Income

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income — From outside tax affiliated group				
4b	Intercompany interest income — From tax affiliated group				
5	Other interest income	12,933			12,933
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

Part III Interest Expense

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense — Paid to outside tax affiliated group				
3b	Intercompany interest expense — Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

☐ Final K-1☐ Amended K-1

OMB No. 1545-0099

**Schedule K-1
(Form 1065)****2009**Department of the Treasury
Internal Revenue ServiceFor calendar year 2009, or tax
year beginning _____, 2009
ending _____, 20____**Partner's Share of Income, Deductions,
Credits, etc.**

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code
Red Crown Royalties, LLC
P.O. Box 888
Littleton, CO 80160

C IRS Center where partnership filed return
Ogden, Utah

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

F Partner's name, address, city, state, and ZIP code
KAB Minerals L.L.P.
410 17th Street, Suite 1151
Denver, CO 80202

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I What type of entity is this partner? **Partnership**

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50.0000000 %	50.0000000 %
Loss	50.0000000 %	50.0000000 %
Capital	50.0000000 %	50.0000000 %

K Partner's share of liabilities at year end:

Nonrecourse \$ _____

Qualified nonrecourse financing \$ _____

Recourse \$ **0.**

L Partner's capital account analysis:

Beginning capital account	\$	1,830,507
Capital contributed during the year	\$	
Current year increase (decrease)	\$	6,279,919
Withdrawals & distributions	\$ (6,623,699)
Ending capital account	\$	1,486,727

☐ Tax basis ☐ GAAP ☒ Section 704(b) book

☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☐ No

If "Yes", attach statement (see instructions)

**Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items**

1 Ordinary business income (loss)	15 Credits
2 Net rental real estate income (loss)	
3 Other net rental income (loss)	16 Foreign transactions
4 Guaranteed payments	
5 Interest income 6,467	
6a Ordinary dividends	
6b Qualified dividends	
7 Royalties 2,979,515	
8 Net short-term capital gain (loss)	
9a Net long-term capital gain (loss)	17 Alternative minimum tax (AMT) items
9b Collectibles (28%) gain (loss)	
9c Unrecaptured section 1250 gain	
10 Net section 1231 gain (loss)	18 Tax-exempt income and nondeductible expenses
11 Other income (loss) A* 3,578,314	
12 Section 179 deduction	19 Distributions A 6,623,699
13 Other deductions W* 237,612	20 Other information
14 Self-employment earnings (loss)	

*See attached statement for additional information.

For IRS Use Only

RED CROWN ROYLATIES, LLC

SCHEDULE K

<u>DESCRIPTION</u>	<u>AMOUNT</u>
COST DEPLETION RELATED TO ROYALTIES	27,837
% DEPLETION < BASIS SUBJECT TO 65% LIMIT	209,775
TOTAL INCLDUE IN SCHEDULE K, LINE 13	237,612
MONTANA WITHHOLDING MINERAL ROYALTY TAXES	65,272

☐ Final K-1☐ Amended K-1

OMB No. 1545-0099

**Schedule K-1
(Form 1065)****2009**Department of the Treasury
Internal Revenue ServiceFor calendar year 2009, or tax
year beginning _____, 2009
ending _____, 20____**Partner's Share of Income, Deductions,
Credits, etc.**

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code
Red Crown Royalties, LLC
P.O. Box 888
Littleton, CO 80160

C IRS Center where partnership filed return
Ogden, Utah

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

F Partner's name, address, city, state, and ZIP code
Thomas S Grove
7053 S Oneida Circle
Centennial, CO 80112

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I What type of entity is this partner? **Individual**

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50.0000000 %	50.0000000 %
Loss	50.0000000 %	50.0000000 %
Capital	50.0000000 %	50.0000000 %

K Partner's share of liabilities at year end:

Nonrecourse \$ _____

Qualified nonrecourse financing \$ _____

Recourse \$ **0.**

L Partner's capital account analysis:

Beginning capital account \$ **1,830,506**

Capital contributed during the year \$ _____

Current year increase (decrease) \$ **6,279,919**

Withdrawals & distributions \$ (**6,623,699**)

Ending capital account \$ **1,486,726**

☐ Tax basis ☐ GAAP ☒ Section 704(b) book

☐ Other (explain) _____

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☐ No

If "Yes", attach statement (see instructions)

**Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items**

1 Ordinary business income (loss)	15 Credits
2 Net rental real estate income (loss)	
3 Other net rental income (loss)	16 Foreign transactions
4 Guaranteed payments	
5 Interest income 6,466	
6a Ordinary dividends	
6b Qualified dividends	
7 Royalties 2,979,515	
8 Net short-term capital gain (loss)	
9a Net long-term capital gain (loss)	17 Alternative minimum tax (AMT) items
9b Collectibles (28%) gain (loss)	
9c Unrecaptured section 1250 gain	
10 Net section 1231 gain (loss)	18 Tax-exempt income and nondeductible expenses
11 Other income (loss)	
A* 3,578,314	
12 Section 179 deduction	19 Distributions
13 Other deductions	A 6,623,699
W* 237,611	20 Other information
14 Self-employment earnings (loss)	

*See attached statement for additional information.

For IRS Use Only

RED CROWN ROYLATIES, LLC

SCHEDULE K

<u>DESCRIPTION</u>	<u>AMOUNT</u>
COST DEPLETION RELATED TO ROYALTIES	27,836
% DEPLETION < BASIS SUBJECT TO 65% LIMIT	209,775
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TOTAL INCLDUE IN SCHEDULE K, LINE 13	237,611
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MONTANA WITHHOLDING MINERAL ROYALTY TAXES	65,272